



# TEXAS RURAL DEVELOPMENT

## Section 504 Repair Loans and Grants

### Applicant Information Sheet

#### What is the objective of the Section 504 program?

The objective of the Section 504 loan and/or grant program is to help very low-income owner occupants (of modest single family homes in rural areas) repair their homes. Rural areas include open country and places with population of 10,000 or less and, under certain conditions, towns and cities between 10,000 and 25,000 population.

#### What are the eligible purposes?

Loan funds are available for repairs to improve or modernize a home, make it safer or more sanitary, or remove health and safety hazards. For homeowners age 62 and over who cannot repay a loan, grant funds are available to remove health or safety hazards, or remodel dwellings to make them accessible to household members with disabilities. HB-1-3550 Chapter 12, list restrictions on the use of Section 504 funds.

#### What are the eligibility requirements?

Applicants must own and occupy the property to be eligible for Section 504 funds, and must be able to document ownership. To be eligible for Section 504 funds, the property must be considered modest for the area, must not have an in-ground pool, and must not have a value in excess of the area loan limit. The adjusted household income at the time of loan/grant approval and at loan closing must not exceed the applicable very low income limit. For loans, applicants must have a credit history that indicates a reasonable ability and willingness to meet debt obligations.

#### What determines if I get a loan or grant?

An applicant (age 62 or older) is only eligible for a grant if a budget analysis based on *Form RD 1944-3 Budget and/or Financial Statement* indicates that the household would be unable to repay a loan for the amount needed over 20 years. If a budget analysis indicates that an applicant (age 62 or older) has partial repayment ability, as much of the amount as possible must be issued as a loan, with only the remainder issued as a grant. At least one applicant must be age 62 or older for a household to qualify for a grant.

#### What is the interest rate and term?

Section 504 loans have an interest rate of 1 percent and a maximum term of 20 years. The term should be as short as possible based on the applicant's repayment ability. However, any loan made in conjunction with a grant must be made for the full 20-year term to minimize the amount of grant funds required.

#### What is the maximum loan and grant amount?

The sum of the outstanding balance on all Section 504 loans can never be more than \$20,000. Lifetime assistance for a Section 504 Grant is \$7,500. Applicants can only receive assistance to cover eligible costs. (For example, if the applicant has only \$5,000 of eligible repairs to make, the maximum assistance allowed is \$5,000.)

#### Do grant funds have to be repaid?

Before any grant funds are disbursed, the recipient must sign *Form 3550-24, Grant Agreement*. The agreement states that if a home repaired with a Section 504 grant is sold or transferred within 3 years of grant approval, the full amount of the grant must be repaid. If the property is transferred to the grantee's heirs or an estate within three years from the date of the agreement, the full amount of the grant will be repaid by the grantee's heirs or the estate.

#### Who is responsible for inspecting the home?

The applicant/borrower is responsible for making inspections necessary to protect their interests. USDA Rural Development inspections create or imply no duty or obligation to the borrower/applicant.

A list of USDA Rural Development Offices in Texas is located on the Texas USDA Rural Development Web site [www.rurdev.usda.gov/tx/](http://www.rurdev.usda.gov/tx/)

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